



Policy Position

02/27/2008

EC-08. State Countercyclical Funding

National economic downturns can have a profound effect on the lives of individuals, the growth of businesses and the fiscal condition of state and local governments. Historically, downturns or recessions at the national level have a delayed impact on state and local finances. Revenues from traditional state and local sources tend to decline long after the national economy shows signs of recovery. During these times, state balanced budget requirements force states to either raise revenues in the form of taxes and fees or cut spending to meet budget obligations.

Governors support the development of national policies and programs to ease the pressure of economic downturns on state and local government. For example, governors support federal efforts to assist states and stimulate the economy through temporary increases in the federal matching rate for Medicaid and flexible block grants for states. Such efforts were effective in the past to stabilize the economy and maintain health care services for the most vulnerable populations. The federal government also should closely adhere to the principle of “do-no-harm” by avoiding policies that shift additional costs to states or impose new unfunded mandates because such actions undermine state efforts to maintain services, balance budgets and speed economic recovery.

*Time limited (effective Winter Meeting 2008–Winter Meeting 2010).
Adopted Winter Meeting 2008.*